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TEACHERS GUIDE IN BANKING - II

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Preface

Introduction

Unit

1. Understanding bills-legal and commercial aspects.
2. Bills and Banking operations - pre collection  
and post collection stages
3. Safe Deposit lockers
4. Loans and Advances - legal relations arising out of  
forms of securities
5. Accounting system of a bank branch

Appendix

1. Withdrawal order form
2. Saving Bank Pay-in-slip (cash)
3. Saving Bank Pay-in-slip (transfer)
4. Bank's cheque
5. Advice form for Cheque Book issued and its acknowledge-  
ment
6. Form for opening Savings Bank account (ordinary)
7. Form for opening Savings Bank account (with cheque  
facility)
8. Current A/c Pay-in-slip (Transfer)
9. Current A/C Pay-in-slip (Cash)
10. Current A/C Pay-in-slip (Clearing)
11. Ledger folio (Current A/C)
12. Term and Deposit Account form
13. Deposit at call application form

14. Recurring Deposit Pay-in-slip
15. Cash certificate Pay-in-slip
16. Transfer responding
17. D/D Purchased Debit slip
18. Draft cancellation form
19. Telegraphic Transfer form
20. List of telegraphic Transfer Purchased form
21. Draft/Mail Transfer/Bankers Cheque form
22. Demand Loan form
23. General Ledger Account
24. Current Account (firm)
25. Current Account (Individual)

## P R E F A C E

Ever since the introduction of vocationalisation in our school system by several States in our country the paucity of appropriate instructional materials has been felt as one of the major constraints in implementation of the programme and a source of great hardship to pupils offering vocational studies at the higher secondary stage.

The Vocationalization of Education Unit of the National Council of Educational Research and Training, New Delhi has started a modest programme of developing instructional materials of diverse types to fill up this void in all major areas of vocational education. The task is too gigantic to be completed by any single agency but the model materials being developed by us might provide guidance and impetus to the authors and agencies desiring to contribute in this area. These are based on the national guidelines developed by a working group of experts constituted by NCERT.

The Banking industry in India is expanding both functionally and geographically. There is no economic activity which is not touched and influenced by a bank to-day. Banks promote savings and Capital formation which are conducive to production and employment generation. This implies that many more people will have to be trained specially at the clerical level

to carry on the banking functions effectively. To train such personnel, the old classroom instruction based on theoretical text-books will not be very useful and effective.

The present teachers guide has been prepared for Banking teachers to illustrate how certain topics under this subject are to be taught for making the subject more interesting, more practice oriented and more meaningful to the students. At the end in appendix a set of forms, schedules etc. are given which may be of great interest to teachers because of its practical utility.

The teaching procedures mentioned under various headings are tentative and suggestive. They may be modified according to the needs and requirements of the class. It was not possible to include in this volume all the topics of the subject. Only an effort has been made to prepare guidelines for teaching some of those selected topics. On the same lines the teacher himself may prepare an exhaustive Guide to cover all the practical aspects of the subject. The pages that follow contain a draft of the Writing which will be finalised after obtaining the responses and feedback from teachers. The material will have to be published in the printed form.

The Guide has been developed by a group of experts as authors in two workshops held at Regional College of Education, Bhopal. The names of the experts who participated in the workshop are given elsewhere and their contribution are admirably acknowledged. Shri C.K. Misra, and Dr. P. Raizada, readers in VE Unit deserve thanks for editing and bringing the materials in the present form. The assistance of the two Regional College and at Vocationalization of Education Unit, NCERT is also thankfully acknowledged.

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## I N T R O D U C T I O N

Banking activities have grown in India in recent years to provide the resource-support to the expanding and fast diversifying national economy. One witnesses a steep progression away from conventionalism. While many innovations are emerging--both with regard to resource mobilisation and to resource use--the number and complexity of transactions are increasing. As an economic sector too, banking has expanded and now makes a more important contribution to Gross National Product.

Some of the novel features of the Indian banking system are :

- (a) Control over a larger segment of banking institutions.
- (b) Evolution of new instruments for mobilising savings.
- (c) Identification of priority areas which need preferential financing.
- (d) Installation of information processing and use systems within banks.
- (e) Enlargement of the public sector in banking.
- (f) Expansion of off-shore banking activities.

### Vocational Implications

Size-growth and landscape diversification of the banking sector have led to a phenomenal growth of employment avenues--both in the tertiary sector (banking and finance domain) and in the commodity-producing sectors. There has been an enhanced availability of banking jobs at the lower and middle levels of managements as well as at the operating levels in bank branches.

It is plain to see that the absorptive capacity of the banking sector has vastly improved and it is high time that career-linked education is encouraged to meet the rising demand for clerical abilities in banks. The plus-two stream has a vocational orientation and aims to provide a catalysis for the gap.

### Banking as a Career

The large job-potential in banking has manifestly provoked many a young person to seek a career opportunity in this sector. A look at the educational profile of new entrants in banks at the operating level shows that graduates and post-graduates in Arts, Commerce, Science have equally competed for the openings. Actual placement also evidences the presence of a mix.

Provision of a vocational course after the matriculation stage is premised upon the idea that human capital be not wasted and mis-applied. Those of the young persons who have the aptitude for a banking career and could terminate their education at a level that enables a reasonable induction in a clerical job (presumed here to be the plus-two stage), must be provided a learning which is backed up by experiences. This is precisely the objective of offering 'banking' as an elective at the plus-two stage of Commerce.

#### The Needed Inputs

It has been widely held that a person functioning at the operations level of a bank branch be exposed to the following basic input areas :

- (a) Law of banking
- (b) Theory of banking
- (c) Fundamentals of Central Banking
- (d) Banking operations and practice

While these are the most general components of a broad-based banking education, the amount of rigour and the depth of the coverage could be altered to suit

the needs of various levels of bank job-openings. For a clerical operations career a greater stress could be placed on 'banking operations' and the other three input-components could be substantially diluted. The opposite could be the case for a policy level job in a bank.

### The Present Curriculum

States that have implemented the vocational stream of education in Commerce have adopted syllabi in 'banking' incorporating the basic inputs identified above in addition to specialised application of banking principles in the areas of agriculture and cooperative development. The various packages being implemented do not reflect a standard content-spread. Nevertheless, the basic inputs have modified to suit the requirements of each region and also to conform to the goals and aspirations of educational policy-planners in those areas. This is not to suggest that these packages are all beyond the review process. In fact, they could be made more practice-oriented and even internally consistent.

### The Tasks of the Teacher

It has to be appreciated that even a significant introduction of contents that highlight 'operations mechanics' would have to be supported by a clear exposure to principles and theory governing banking operations. This makes the task of the teacher more difficult than when either only theory is to be taught (as in a University department) or only practice is to be taught (as in the case of a staff training centre of a bank). Even though theory and practice are being now mixed in these centres of learning, what makes the challenges of a plus-two teacher in banking grimmer is the level and capabilities of his audience. In view of this, instructions have to be properly designed and lessons adequately planned.

### The Need for a Teachers' Guide

Teaching of banking at a level like the plus-two would have to be based on an understanding of how does a bank branch actually function. This may call for an inter-action of the teacher with a local bank branch, if available. While such an interaction would always be desired, it may not always be feasible. The present

effort at providing a part' al teachers' guide aims at assimilating the bankers' experience in instructions. This has been done in the following manner :

- (a) Associating practising bankers in the development of study material.
- (b) Inter-acting with bank branches
- (c) Visiting a staff training centre of a leading bank of the country.
- (d) Identifying and preparing homogeneous clusters of forms, vouchers and accounting formats for transactions of a similar nature.

#### The Objectives of the Guide

The present Teachers' Guide provides an outline view of the material that the teacher may discuss in the class. It also furnishes example methodologies for doing so. Needless to stress that there could be manifold approaches of looking at the teachers modus operandi. But whatever the methodology adopted, instructions must achieve the following:

- (a) To recall and recognise the basic concepts and terms in a topic area.
- (b) Promote an understanding of the topic.

- (c) Develop a positive attitude to the acquisition of knowledge and understanding of the topic.
- (d) Create skill(s) that could arise out of a knowledge.

### The Present Guide

The present teachers' guide illustrates the manner in which the teacher could plan his total approach and methodology in imparting instructions. As already observed, he/she could sort out several other viable alternatives in keeping with the objectives outlined in the preceding section.

The effort contained in this Guide has adopted only a selective approach. Not all topics have been covered and inclusion has been guided by the following criteria :

- (a) Relevance of the topic for basic banking knowledge.
- (b) Operational import of the topic.
- (c) Feasibility of developing the material.
- (d) Increments to teaching effectiveness.

### Coverage of the Guide:

Using the forgoing criteria, the following topics were taken up for the development of teaching material:

1. Understanding bills-legal and commercial aspects
2. Bills and Banking Operations--Pre-collection and Post-collection stages
3. Safe Deposit lockers
- 4.. Loans and Advances--Legal relations arising out of forms of securities.
5. Accounting system of a bank branch.

### Features of the Guide:

The present guide provides a glimpse into the scope and coverage of topics included. This is only suggestive and the teacher would notice that it is not an exhaustive catalogue of all that could possibly be covered. The teacher could extend a similar discretion in deciding about the scope of other topics not covered.

The guide is suggestive and provides considerable flexibility provided the basic objectives are not lost.



To the extent possible, the guide converses with the teacher and underlines that the teacher encourage a dialogue with his/her students as part of instructions.

The guide has provided examples for explain, examples for judgment formation, and examples for other evaluation.

Glimpse has been provided in question-formation in a step-sequence procedure.

Formats and columnar/tabular presentations have been made wherever needed.

Real-life bank forms, slips, vouchers and accounting formats have been given in an Appendix.



UNIT - I

UNDERSTANDING BILLS - COMMERCIAL AND LEGAL ASPECTS

I. Introduction

Bills of exchange, cheques and promissory notes are three important negotiable instruments. They are essentially credit instruments with features of negotiability. The cheque is the most common of all the instruments and used widely by all sections of society. Bills of exchange and promissory notes are used largely in business, although promissory notes are also used as instruments to borrow in non-business transactions. Although these instruments have evolved out of the exigencies of business and the needs of the community, in order to regulate the use of instruments, the legal frame-work has been provided by the Negotiable Instruments Act, 1811 as amended up-to-date. The scope of this unit is to explain the commercial and legal aspects relating to bills and also distinguish them from other negotiable instruments like cheques and promissory notes.

## II. Objectives

- (1) To help students appreciate the need for bills in the course of goods and services.
- (2) To enable them to identify different types of bills and also to know as to why do these bills arise.
- (3) To enable them to identify different parties to the bills.
- (4) To enable them to distinguish bills from other instruments.
- (5) To enable the students to develop the skill of drafting different types of bills.
- (6) To enable them to understand and recall the following legal concepts in relation to bills:
  - (a) Definition
  - (b) Endorsement
  - (c) Acceptance
  - (d) Dishonour
  - (e) Noting and protest
  - (f) Holder and Holder in due course
  - (g) Days of Grace and Calculating the maturity of an issuance bill.

### III. Context in an Outline

- (1) The origin of bills
- (2) The definition of bills
- (3) The ingredients of a bill
- (4) The parties to a bill
- (5) The classification of bills:
  - (a) Trade bills and accommodation bills
  - (b) Demand and usance bills
  - (c) Clean and documentary bills
- (6) Legal Provisions in relation to bills of exchange.
- (7) Legal provisions not available for bills.
- (8) Comparison of bills with other instruments.

### IV. Methodology

As the Concepts are theoretical and also have a legal basis the method should be to explain each concept in a very simple language, intelligible to students and then immediately test whether the student has comprehended the same. As there are number of concepts to be introduced an attempt will be made to illustrate a few and the teacher is recommended to follow the same procedure regarding others.

( ) When goods are sold to a retailer, the wholesaler allows the former a period of credit. The retailer needs some time to sell the goods and pay the wholesaler. There are two alternatives before the wholesaler.

(a) He can record the debt in his books and collect the amount after the expiry of the period of credit. Such recording of debts due from customers are known as book debts.

(b) He can substitute the book debt by a bill. As per Sec. 5 of the Negotiable Instruments Act, 1881, "A bill of exchange is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to or to the order of a certain person or to the bearer of the instrument." So the wholesaler can direct the retailer to make the payment unconditionally either to a specified person or the bearer of the instrument. The retailer will obviously either pay the wholesaler or under the bill and not both. As soon as the bill is drawn the book debt is eliminated. We will see later how the book debt revives under certain circumstances.

The conversion of book debt into a bill offers certain advantages to the wholesaler.

- (1) The presence of a bill is a tangible proof of retailers indebtedness, and
- (2) The wholesaler can raise finance from the bankers either by selling the bill or discounting the bill. It is particularly this second advantage that has made the bills popular as it enables him to have continuous cash-flow and thus keep him in cash management.

Now is the time for the teacher to test whether the student has understood the concept and ingredients of the bill by framing questions and posing problems.

Problem: A sells goods worth Rs.1,000 to B and B is allowed a period of 90 days credit.

answer the following questions and give reasons :

- (1) A requests B over phone to make the payment to B. B accedes to A's request. Is the book-debt converted into a bill? Support your answer with reasons.

- (2) A writes a letter to B requesting him to pay Rs.1,000 to B as soon as possible. Is it a bill?
- (3) A orders B to pay Rs.1,000 to the messenger calling on him with a blue shirt and white pant on a specified day. Is it a bill?
- (4) A orders B to pay B Rs.1,000 and such other sums as may become due. Is the instrument a bill?
- (5) A orders B to pay B a sum of Rs.1,000 90 days after date but forgets to sign the instrument.
- (6) A orders B to pay B a sum of Rs.1,000 only if B delivers certain documents.

#### Ingredients of a bill

From the answers obtained, the teacher can restate the ingredients of a bill. They are :

- (1) The bill should be in writing. Writing includes printing and typing.
- (2) The instrument must contain an order to pay.
- (3) The order must be unconditional. However, if the condition stipulated is sure to occur, it will be deemed as unconditional for this purpose.



- (4) The bill must be signed by the drawer.
- (5) The sum of money payable should be certain.  
However, the mention of rate of interest for the period or the payment of foreign currency at an indicated rate of exchange does not make the sum uncertain.
- (6) The payee must be certain. It may also be drawn payable to order.

However, under Sec. 31 of the RBI act, 1934, an instrument cannot be drawn payable to bearer on demand except by Reserve Bank it-self. The teacher can explain that such an instrument becomes a bank note and private individuals or commercial banks cannot issue bank notes which are part of currency.

#### Demand and Usance bills

If the retailer is allowed a period of credit he is ordered to pay on the expiry of credit period. What type of bill should be drawn if retailer is not allowed credit? Obviously the bill drawn must order him to pay on demand. Then there are two types of bills-- demand bills and bills payable after a certain period called usance bills or time bills. In the case of

demand bills the bill is drawn payable 'at sight' or 'on demand'. In the case of an usance bill it is ordered payable so many days or so many months after sight or so many days or so many months after date.

Specimens of Demand and Usance Bills

DEMAND BILL

Rs. 10,000

BHOPAL  
27th January, 1983

On demand pay Mr. Govind Narain or order the sum of Rs. Ten Thousand only for value received.

(Sd) Kishan Chand

To

Bharat Ram,  
36, Daryaganj,  
New Delhi 110002

USANCE BILL

Stamp

Bhopal  
27th January, 1983

90 days after date, pay Mr. Maur Varma or order,  
the sum of Rupees Ten Thousand only with interest at  
12 per cent per annum, for value received.

(Sd) Prakashchand

To

SARAT CHANDRA,  
15, LANDONS ALI,  
MADRAS 600 010.

Student Activity:

The teacher should give several commercial trans-  
actions, and develop the skill among the students in  
drafting various types of bills.

Parties to the Bill:

The main parties to the bill are:

- (a) drawer
- (b) drawee, and
- (c) payee.

The drawer is the maker of the bill.

The drawee is the person on whom the bill is drawn i.e., the person who is directed to make the payment.

The payee is the person to whom the money is payable.

Drawer as well could be the payee.

The teacher should elicit from the students the identification of the parties with reference to specimen bills.

#### Students activity:

The students should identify the parties of the bills which they have drafted.

#### Acceptance:

- (1) acceptance comprises the signature of drawer or his agent with or without the words 'accepted'. In practice the words accepted are invited.
- (2) It must be without any qualification.
- (3) It is not necessary in the case of demand bills.
- (4) Bills are to be presented for acceptance within reasonable time, during business hours and at business premises or the residence of the drawee.
- (5) Failure to present the bill discharges the drawee and all the endorser.

### Purpose of Acceptance

Why is acceptance not needed in the case of demand bills? The reason is simple--it is payable on demand straight away. So there is no need to have two stages of acceptance and payment. But in the case of usance bill since there is a long interval between the date of a bill and its date of maturity, acceptance facilitates negotiation of a bill.

### Days of Grace and Calculation of Due Dates of Bills:

- (1) In the case of usance bill three days of grace are allowed to the drawee for payment from the day on which the bill is expressed to be payable.
- (2) If the bill is payable so many months later and in the month of maturity therein no such date, the period shall terminate on the last day of month.
- (3) If the date of maturity falls on a holiday, then the bill becomes payable on the next working day.
- (4) The bill may be drawn without the usual days of grace.

Example: (1) A bill is drawn on 30-1-1982 payable one month after date. Determine the day on which the bill matures.

Since there is no 30th in February it becomes payable the last working day, namely 28-2-1982. Taking three days of grace the bill becomes payable on 3-3-1982.

- (2) A bill is drawn on 14-1-1982 payable 90 days after date. Calculate the day on which the bill matures.

Counting 90 days from 14-1-1982 the bill matures on 13-4-1982. Taking 3 days of grace into account the amount of a bill is to be paid by 16-4-1982.

Drill: The teacher should give number of exercises to the students, so that they understand the rules regarding the calculation of due date and also develop the skill of calculating the due dates.

#### Inland and Foreign Bills:

A bill which is drawn and payable within the same country is called an inland bill. It may be a demand or time usance bill.

#### Problems:

- (1) A bill is drawn at London and made payable in Bombay.

- (2) A bill is drawn at Bhopal and made payable in New York.

Are these bills inland bills? If not, why not?

From the problems given above the teacher should introduce the concept of foreign bill. To summarize, foreign bills are :

- (1) drawn in India but are payable to a person resident outside India, and
- (2) drawn outside India but are payable in India.

Student activity:

Giving two or three examples of transactions the teacher should encourage the students to draft foreign bills.

Examples:

- (1) Umanath of Madras exports handicrafts to Friedman of Chicago and the agreed price is 8000. The agreed period of credit is 90 days.
- (2) Ravishankar of Delhi exports Kashmir carpets to Bush of Frankfurt. The agreed price of the carpets is 10,000 marks and the agreed period of credit 3 months. Draft the necessary bills in these cases.

Trade and Accommodation Bills

In the case of bills we have seen :

- (1) there is a trade transaction resulting in creditor and debtor relationship, and (2) a bill is drawn extinguishing the relationship for the time being. The bills drawn without the backing of actual transaction and with a view to provide funds to one or more parties

are known as accommodation bills. The basic idea in drawing and accepting accommodation bills is to obtain financial accommodation. Problem: Anil and Sunil are good friends. Anil approaches Sunil for a sum of Rs. 1,000. Sunil has no money but is prepared to accept a bill drawn by Anil which the latter can discount with bankers. It is agreed that Anil provides the necessary funds to Sunil to pay the bill on maturity. What is this bill called? Give reasons.

### Clear and Documentary Bills

If the buyer and seller are at the same place, goods can be delivered after securing the acceptance of the buyer. However, where they are separated by distance, the buyer is unwilling to accept before obtaining the goods or documents of title to goods such as Railway Receipt or Lorry Receipt. Likewise the seller is not willing to part with goods until and unless the payment is made or assured. For this purpose the seller sends the bill of exchange and the railway receipt to a banker at the place of the buyer. The buyer makes the payment in the case of demand bill, for obtaining the railway receipt. If the bill drawn is a usance bill, he accepts the bill before obtaining the railway receipt. Since these bills are accompanied by documents, they are known as documentary bills.



If the bill is a usance bill it is called D/A bill (document against acceptance). In the case of demand bill it is called D/P bill (documents against payment).

Problem:

M/s Toshniwal of Calcutta send scientific equipment worth Rs.1 lakh to I.I.T., Delhi. The consignment is sent by Patel Roadways. The Lorry receipt and the demand bill are sent to Delhi through Central Bank of India. What is this bill called? Give reasons.

Dishonour:

A usance bill may be dishonoured in two ways, namely : (1) by not accepting at all, (remains draft, and (2) by not making the payment after having accepted the bill.

The teacher at this stage can test the student as to how a demand bill may be dishonoured. In the case of a demand bill since there is no stage of acceptance, there can be only dishonour by non-payment.

Here some questions can kindle the interest of students.

- (1) What is the worth of the bill which is dishonoured?
- (2) The bill has come into existence after extinguishing the debt. What should the creditor do now that the bill is worthless?



### Noting and Protest

When a bill is dishonoured either by non-acceptance or non-payment, there must be some evidence to this fact before the holder can issue a notice of dishonour. This evidence is provided by an authority designated 'notary public'. He notes the following facts :

- (a) the fact of dishonour,
- (b) the date of dishonour,
- (c) the reason for dishonour, and
- (d) the notary charges.

This process is known as 'noting'. If the holder secures a separate certificate from the notary public stating the fact of dishonour in full, such a certificate is called 'protest'. As protest is compulsory only in the case of foreign bills, this procedure has not gone through in the case of inland bills.

### Holder and Holder in due course

A holder is defined as a person who is entitled in his own name, (i) to the possession of the instrument and (ii) to recover or receive its amount from the parties thereto.

Questions : (1) Can a finder of lost bill be a holder?  
(2) Can a thief recover the amount under the bill?  
(3) A entrusts B a bill for safe custody. Can B stand in the shoes of a holder?

Every holder is not a holder in due course.

However, every holder in due course is a holder. A person to become a holder in due course must satisfy the following conditions:

- (1) He must obtain possession of the instrument as the bearer of payee or endorsee.
- (2) He must have obtained it for paid consideration.
- (3) He must obtain the instrument in good faith and without sufficient cause to believe that any defect existed in the title of the transferor.
- (4) The instrument must be obtained before maturity, i.e. before it becomes due.

Questions: Can a holder become holder in due course in the following cases :

- (1) A holder having accommodation bill.
- (2) A holder obtaining the instrument after maturity
- (3) A knows that B has obtained a bill from C on mis-representation. A acquires it from B at a good discount.
- (4) A holder who acquires a bill for insufficient consideration.

Endorsement: Sec. 15 of the Negotiable Instrument Act defines endorsement as follows :

When the maker or holder of a negotiable instrument signs the same, otherwise as such maker, for the purpose of a negotiation on the back or face thereof, or on a slip of paper annexed thereto, or so signs for the same purpose a stamped paper intended to be completed or a negotiable instrument he is said to have endorsed the same and is called an endorser.

Implications of endorsement;

- (1) It transfers the right in the instrument to the endorsee.
- (2) Unless the endorser excludes his liability he becomes liable to the holder when the instrument is dishonoured.
- (3) Endorsement is not complete without delivery.
- (4) A blank endorsement will make the instrument payable to bearer.

#### Comparison of Bill with Promissory Note and Cheque

It was stated at the outset that bills, cheques and promissory notes are all negotiable instruments. It will help us a lot if we can correctly understand the differences between bills on the one hand and cheques and promissory notes on the other.



### Difference between Bill of Exchange and Cheque

A Cheque is defined as a "bill of exchange drawn upon a specified banker and payable on demand". Keeping this definition in view we may state the points of differences between the two instruments :

- (1) A cheque is always drawn on a banker, whereas a bill may be drawn on any person including banker.
- (2) A cheque can only be drawn payable on demand and not otherwise. A bill drawn can be a demand bill or usance bill.
- (3) A cheque does not require acceptance and is intended for immediate payment. Acceptance is necessary in the case of usance bills.
- (4) In the case of cheques no grace period is allowed, whereas three days of grace are allowed in case of bills.
- (5) Cheques can be crossed generally or specially. There is no crossing in case of bills.
- (6) The payment of a cheque should be suspended on receipt of notice of the death or insolvency of the drawer. This is not the case with a bill of exchange.

Questions:

- (1) Can a cheque be drawn on a person who is not a banker?
- (2) A has a Current Account with SBI, Bhopal. He draws a post-dated cheque for Rs.10,000. Can the banker honour the cheque?
- (3) A draws a cheque on his account and the cheque is dishonoured by the banker. Do you advise him to go to the notary public?
- (4) When a cheque is drawn, can a customer stipulate conditions regarding its payment? What should the banker do when he is presented with a cheque containing a conditional order.

Certain Provisions in the Negotiable Instruments Act which are applicable to cheques but not bills.

- (1) Statutory protection is given to the paying banker under Sec. 85 of the Negotiable Instruments Act for all cheques for which payment is made in due course. The effect of such protection is that even if the cheque is paid to a wrong person the banker is absolved from responsibility. Such protection is not available to a banker when he makes the payment of bills on behalf of his customers.



- (2) Protection is also given to a banker who collects cheques subject to the conditions stipulated in Sec. 131 of the Negotiable Instruments Act. The import of this protection is that in case cheques are collected on behalf of wrong persons, the true owner cannot proceed against the collecting banker for conversion. This protection is not extended to the collection of cheques.

Problem: In view of what is stated above what risks a banker run in the matter of collection and payment of bills? To minimise his risks what precautions do you suggest?

#### Difference between Bill of Exchange and Promissory Note

A promissory note is defined as "an instrument in writing (not being a bank note or currency note) containing an unconditional undertaking by the maker to pay a certain sum of money only to or to the order of a certain person, or to the bearer of the instrument (Sec. 4 of the Negotiable Instruments Act). We can now state the points of difference between a bill of exchange and a promissory note.

- (1) A promissory note contains a promise to pay, but a bill of exchange contains an order to pay.

- (2) While there are three parties (drawer, drawee and payee) to a bill, there are only two in the case of a promissory note, namely, the maker and payee.
- (3) In the case of a promissory note, the liability of the maker is primary and absolute. In the case of a bill the liability of the drawer is secondary and contingent.
- (4) Usance bills require acceptance. There is no question of acceptance in the case of promissory notes.
- (5) A bill can be made payable to a bearer. But a promissory note is payable only to the payee named therein or his order.
- (6) The practice of noting and protest in the case of bills does not apply to promissory notes.

Questions:

- (1) Can the promissory note be made payable after the expiry of a certain period?
- (2) Can the promissory note be made payable to a bearer? Give reasons for your answer.
- (3) Why is acceptance not necessary in the case of a promissory note?
- (4) A gives to B an instrument in which is written 'I owe you Rs.500' and is signed by A. Is it a promissory note?

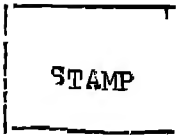
## V. EVALUATION

Some testing material is already provided under methodology with a view to test the understanding and judging ability of the students. Supplementary testing material is provided here under :

### Questions:

- (1) Can bills be drawn only on debtors?
- (2) Why are bills drawn without consideration called accommodation bills?
- (3) What are the distinguishing features of demand bills?
- (4) What consequences follow where a bill is dishonoured?
- (5) Do you think bills are indispensable to traders?
- (6) Distinguish between
  - (a) Trade bill and accommodation bill.
  - (b) Inland bill and foreign bill.
  - (c) Clean bill and documentary bill.
  - (d) Noting and protest.
- (7) In relation to noting explain the aspects of when, why and how.
- (8) In the case of a bill who is the party primarily liable to pay?

(9)



Shyamli Hills  
Shopal

27th January, 19

Two months after date pay to Shri Mahadev  
Ranade or order a sum of Rupees One Thousand  
only for value received.

(Sd) Jawant Singh

To

Bansilal  
15, Mount Road  
Madras 600 002

---

Read the above negotiable instrument carefully and  
answer the following questions :

- (a) Is it an inland bill or foreign bill?
- (b) Is it a bearer bill or order bill?
- (c) Who is the drawer of the bill?
- (d) Who is the drawee of the bill?
- (e) Who is the payee of the bill?
- (f) What will be the due date of the bill?

(10) Compare the following documents on the aspects given :

Aspects	Cheque	Promiss- ory Note	Trade Bill	Accommoda- tion Bill
(1) Parties to the instrument				
a) Number				
b) Name				
(2) Acceptance				
Yes/No				
(3) Stamping				
Yes/No				
(4) Maturity				
Yes/No				
(5) Discounting				
Yes/No				
(6) Endorsement				
Yes/No				
(7) Consideration				
Yes/No				
(8) Party primarily liable under the instrument				
Yes/No				



BILLS - PROCEDURES

OBJECTIVES:

1. To help the student to know
  - a) the importance of bills of exchange in business and banking,
  - b) the process of settlement between the buyer & seller of goods,
  - c) the nature and characteristics of various types of bills and parties thereto.

Introduction

Suppose, a trader in Bombay sells goods to a buyer at Delhi. For the sale proceeds of the goods to be recovered from the buyer, the seller draws a bill known as Bill of Exchange directing the buyer to pay to a named person the amount thereof. In this transaction, the goods are either sent by rail or by road. In both the cases the seller despatching the goods obtains a receipt Railway Receipt/Motor Transport, from the agency transporting the goods. Such receipts convey title of the goods covered by it to the party named therein and are known as "Documents of title to goods. It entitles the buyer to receive the goods. The seller also makes out an invoice representing the cost of the goods sold. Thus the seller

- i) draws a bill of exchange,
- ii) takes out the document of title to goods,
- iii) makes out an invoice.

The s

The seller of goods has two alternatives available to him to realise his dues from the buyer; 1) he can send the bill alongwith the documents of title to direct to the buyer and look forward to receiving the payment in due course. 2) Alternatively, the seller brings the Bill into the picture and hands over the bill/documents to the bank for collection of proceeds from the buyer.

### Role of the Bank

There are a large number of sale and purchase transactions taking place between sellers situated at one centre and buyers situated at other centres; Secondly, there is a great amount of risk involved if the seller sends the bills direct to the buyer because the buyer can delay/refuse payment after receiving the goods. Thirdly, the large network of banks that we have in this country helps the sellers to realise their dues from the buyers by acting as Agents to the sellers. The banks have their branches in both the centres i.e. the place where the seller is situated and also where the buyer is located.

### Mechanics of the transaction

The seller sends the goods either by rail or road to the place where the buyer is. In turn, he obtains a document of title to goods from the Railway or Transport company.

He makes/draws a bill of exchange on the buyer and tenders this Bill of Exchange together with the Documents of Title to goods to the Bank where he may have his



account. The Bank is thus being asked to collect the bill for the seller.

The Bank will send the bill or the document to their own Branch situated at the buyer's centre and instruct them to collect the amount of bill from the buyer. At the receiving centre (buyer's centre), the Bank's branch presents the bill to the buyer and collects the payment which is remitted to the seller through the Bank's branch where the bill was tendered. The buyer takes delivery of the bill RR/Truck receipt <sup>Lorry</sup> receivers which enables him to receive the goods.

## CONTENTS

### 1. Types of bills

- a) Demand bills
- b) Usance (Time) bills

### 2. Procedure and work stages

#### A. Demand bills

- (i) Pre-collection stage
- (ii) Collection stage
- (iii) Post-collection stage-Remittance of proceeds to the seller.

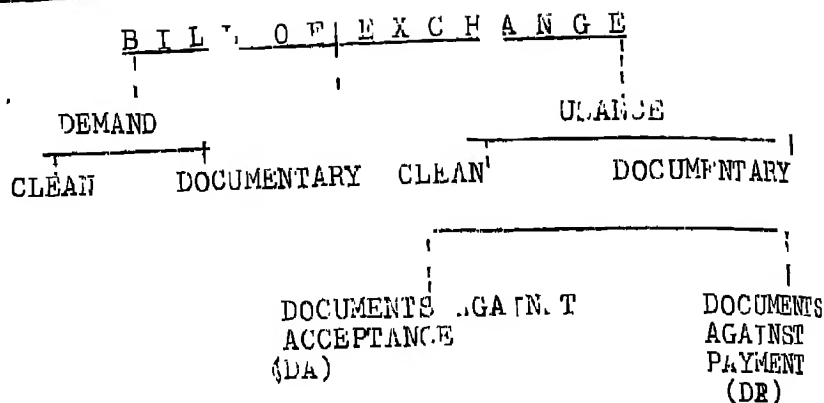
#### B. Usance Bills

- (i) Pre-collection stage ,
- (ii) Collection stage
- (iii) Post-collection stage- Remittance of proceeds to the seller.

### 3. Non-payment or Dishonour of bills

- a) Demand bills
- b) Usance bills

## 1. Types of Bills



The bills are categorised into 2 categories:-

a) Demand Bills

b) Usance Bills.

a) Demand Bills: In the case of Demand Bills, the buyer is expected to make payment of the bill as soon as the bill is presented to him. He can get the documents of title to goods only after he pays the amount of the bill

b) Usance Bill: In the case of Usance bill, also referred to as Time Bill, the seller agrees to give a certain period or time to the buyer to make payment. In other words, he is willing to give a certain credit facility to the purchaser. This is normally in the case of purchase of commodities where the seller dictates the terms of the transaction. The period may vary from 1 month to 6 months depending upon the mutual agreement of both the parties. In this case, the purchaser can make the payment after the agreed period, to which normally an additional 3 days are given known as Grace days. The date on which the bill is payable is known as the Due Date of the bill.

2. Procedure and the various work stages:

A. Demand Bill

i) Pre-collection Stage

a) Customer(Seller) tend rs, Bill of Exchange, accompanied by relevant documents to his banker with a credit voucher for this ~~xxx~~ account.

b) Endorses the bill in favour of Bank(which acts as Collecting Agent).

c) Banker scrutinises the bill and puts the Bank rubber stamp on the bill and the other documents (This signifies the possession and delivery of documents to the Bank which becomes a holder for value). The bill is also given a serial number for reference purposes.

d) Banker will enter the bill in its 'Bill Despatched Register'(See panel 2).

e) Forwards the bill to its branch at the buyer's drawees centre with a covering/forwarding schedule (see panel 3) by registered post.

f) The credit voucher is retained at the branch for record and reference purposes.

(ii) Collection Stage (At the branch where the buyer is located).

a) Bills together with documents, is delivered by the postal authorities(in the registered cover).

b) Cover is opened and the bill is entered in the 'Inward Bill Received Register' (See Panel 4 LSC Register) and allotted a serial number again for reference purposes.

c) The drawee or purchaser is intimated by the bank about receipt of the bill drawn on him. The intimation (panel 5) is either sent by post or is presented through the Bank's representatives. The intimation is also used to convey to the purchaser all other terms and conditions concerning payment of the bill.

d) The drawee or purchaser will pay the amount of the bill at the Bank either in cash or by debit to his account with the bank.

e) The bill and the documents of title to goods are released and endorsed in the drawee's favour by the Bank.

(iii) Post collection stage

The amount recovered from the drawee is remitted to the collecting bank by means of a Draft or mail Transfer or through 'Inter-office' adjustments.

At the Realising Branch

The amount so received is passed on to the seller or drawer or lodger of the bill.

The amount is credited by means of the credit voucher, which was originally given by the drawer.

The bank deducts its collection charges and other expenses like postages etc. from the proceeds of the bill.

## B. Usance Bill

### i) Pre-Collection stage

There is no difference in the work stages involved from what has been mentioned above in the case of Demand bills except that the tenor of bill, tendered by the drawer is of Usance nature. The usance bills are recorded in separate bills and Despatch Registers and allotted separate serial numbers.

### (ii) Collection Stage

Stages a, abd b are similar to demand bills as stated above.

c) Unlike a demand bill, the Usance bill is first presented to the drawee for acceptance, distinct from immediate payment. Acceptance is conveyed by the drawee by putting the words "Accepted" on the Usance bill itself. This acceptance is signed and dated by the drawee.

d) The due date of the bill, depending upon the period mentioned, is then calculated after acceptance and recorded in the Branch books.

e) The drawee is handed over the documents of title to goods.

f) The collecting branch is informed about the acceptance of the bill and also the due date.

g) On the due date, the drawee will deposit the amount in cash or by debit to his account.

(iii) Post-collection stage

The amount is then remitted by means of a Draft/ M.T./T.T./ or Inter-office account to the collecting branch  
At the Collecting Branch

The stages involved are the same as in the case of Demand bills.

3. Non-payment or Dishonour of Bills

It may so happen sometime that the purchaser for some reason may refuse to make payment of the bill. This is called non-payment or dishonour of bills.

a) Demand Bills

At the branch, where the purchaser is situated:-

a) In case the bill is not paid even after lapse of a reasonable period, the bill alongwith the documents is returned to the collecting branch, by registered post by means of a covering letter (see panel).

b) At the Collecting Branch : The bill is received and is handed over to the drawer.

c) His account is debited for handling and out-of-pocket charges.

(B) Usance Bills

There are two stages at which the bill can be dishonoured:-

a) At the acceptance stage (Drawee refuses to accept)

b)

- b) At the paying stage(Drawee does not pay on due date even after acceptance).

In both the cases, the bill and the documents are returned to the collecting branch after going through the process of Noting and Protest in accordance with legal requirements.

Note:- Rubber stamps, which have been referred to in the test material have been shown in panel 6.

### Methodology

1. To begin with, the teacher may recapitulate with the classes:-
  - a) The importance of bills in Trade and Industry.
  - b) The role played by bills in settling transactions between buyers and sellers and
  - c) Banks acting as intermediaries by handling, collecting and paying the bills.
2. He/she may next state and explain the objectives of his lesson.
3. The teacher may thereafter proceed with his lesson plan to cover the contents, explained above, in a detailed manner. The various facets of Demand and Usance bills pertaining to pre-collection and post-collecting stages would require to be explained to the students.
4. The distinction regarding nature and tenor between demand and Usance bills may be brought to focus.
5. The various work stages of the procedures followed at the bank from the time a customer tenders the bill till realisation of the proceeds from the buyer at the other centre and affording the payment to the seller should \_\_\_\_\_

be discussed in the class.

6. What happens in the event of bill(s) being unpaid or dishonoured, should be explained to the students.

Aids available for teaching

- a) Use of black board during lecture method.
- b) Charts depicting a seller and buyer located at different towns.
- c) Charts showing the seller and buyer in a dilemma, not knowing how to overcome the distance factor and to effect payment of goods supplied through rail/transport.
- d) Charts displaying bank building etc., where the Manager is shown offering the services of his bank to collect bill(s) covering transactions between buyer and seller.
- e) Showing specimens of various vouchers and registers in use at the bank in respect of bill transactions.
- f) Use of several panels highlighting specimens of various types and categories of bills discussed earlier.
- g) Display of photo copies of Railway Receipts and Lorry Receipts which accompany Documentary Bills.

Evaluation

The teacher may ask the students -

- a) to give examples of certain types of sale and purchase transactions between sellers and buyers at different towns.



- b) To discuss why bills are prepared to cover the transactions.
- c) To tell if the dependence on banks can be avoided in such cases.
- d) To state in which cases a Usance bill becomes necessary
- e) To explain the implications of the buyer refusing to make payment of a bill.
- f) To seek clarifications on any aspect of the topic discussed.

-: 46 :-

B I L L S            O F  
E X C H A N G E

PANEL 1 -        6

1

Place \_\_\_\_\_

Date \_\_\_\_\_

the Bank of India or order a

\_\_\_\_\_)

For XYZ & Co

Sd/-

Partner.



-: 48 :-

Panel 2

SHORT CREDITS DESPATCHED (BILLS) 100

S.C.No./B	Ledger	Rs. P	Initials	Remarks	Date	Initials
.....19...						
Sent to	Drawee	Amount		Received for		
		Our		despatch on		
		Commission		acknowledge		
		Collecting		ment recd on		
	Documents	Bank's		Rate equired on		
		Commission		Non-payment		
		Other charges		advice recd on		
				Paid or returned		
				(if returned		
				prefix 'r')		
				( Please see instructions on reverse)		

G.O.S. 221

BILL COLLECTION SCHEDULE

S.C.No. 1 B

LOGGER

Is. P.

AT THE RECEIVING BRANCH

DATE

.....is

Amount

STATE BANK  
OF INDIA

Dr. To

Our  
Current a/c  
Collecting  
Bank's  
Commission

The main bill  
will be forward  
with the bill  
credit of pro-  
ceeds to us.

DOCUMENTS

Other  
charges

BRANCH MANAGER

.....  
BRANCH

.....( ) to  
( )

CIRCLE

(PLEASE SEE INSTRUCTIONS ON REVERSE)

(PLEASE ENTER PARTICULARS OF CASH ON  
REVERSE)

Branch Manager/Head Cashier

ACKD. L.S.C.No. Credit Branch Clearing  
Account with General

Rupces

Serial No.

Clerk/Tell

Branch advised

PARTICULARS OF CASH		Please follow instructions checked ( ) below:-	
	Rs. P.	( )	
100 x		( )	Please acknowledge receipt.
10 x		( )	Please advise payment/non-payment by letter/wire.
5 x		( )	Please recover overdue interest @ .....% p.a. if not paid within ..... days of presentation.
2 x		( )	Please recover all your charges from the drawees/proceeds.
1 x		( )	Please do not return the bill without prior reference to us.
Rupees ..		( )	Please refer to case-in-need, M/s. _____, in case the bill remains unpaid for ..... days after presentation.
Ccin ..		( )	Please return the bill at _____ days, if it remains unpaid.
TOTAL ..		( )	
Received the within-mentioned documents.		( )	
		( )	
		( )	

[illegible]



-: 52 :-

Panel - 5

STATE BANK OF INDIA

MEMO

..... 19

For..... No.....

.....

.....

I have received from .....

.....

a demand draft together with the relative R/R, delivery of  
which I shall be glad to effect to you on payment of Rs.....

.....

Branch Manager



## Unit 3

### SAFE DEPOSIT LOCKERS

#### 1. Introduction

LOCKERS are also called safe Deposit lockers. A specially made steel safe or steel cabinet has a number of receptacles. Each of these receptacles-of various sizes-is called a Locker and is hired out to Bank's customers for keeping their valuables. The locker is theft-and fire-proof and entirely safe and dependable. The lockers have an arrangement for double locking; one key of the locker is given to the hirer-locker and the second key remains with the Bank. The locker can be opened by the customer only after the Bank applies its key first and then the customer operates his key. Neither the Bank nor the customer can open a locker only using thier keys individually. This provides greater security to the customer whose valuables remain safe in the locker.

The locker almirah or cabinet is kept in a Strong Room specially constructed and fitted with a special door which is theft and fire-proof. Each individual locker is hired out to customers against payment of a fixed rental for one year.

The relationship between the Bank and the customer is that of a lessor and lessee where Bank is a lessor (party leasing space on rent) and the customer is the lessee (Party acquiring space on rent). This relationship gives the freedom to the customer to keep any valuable in the locker; only he should pay to yearly rent to the Bank.

## 2. Contents

### A. Procedure for hiring a Locker in a Bank

(a) Customer wanting a locker to keep his valuables approaches a Bank to enquire if a locker is available. The Bank, if they have a vacant locker, may decide to rent out the locker to the customer.

(b) The customer has to sign a "Locker Agreement" with the Bank which is like a Rent agreement and gives the terms and conditions (like rent, locker No., etc.) of the locker hiring (Panel-1). This agreement is to be signed both by the Bank and the party/parties wanting the locker. The locker agreement is stamped with non-judicial stamps of Rs.5/-.

(c) The customer then pays the rent for the next one year, in advance, by cash or against a debit to his account with the Bank. The rent varies from Rs.50/- to Rs. 250/- depending upon the size of the locker. The customer is reminded to pay the rent every year by means of a letter (Panel-2).

( ) The customer has also to open a Savings Bank or Current A/C and give instructions to the Bank to debit his account for payment of rent for the subsequent year(s).

(e) The customer is then handed over the locker key against his signature in a key Register.

(f) The customer's signatures are recorded on a specimen signature sheet. These signatures serve to identify the customer every time he comes to open his locker.

(g) The Bank then opens a locker account on a locker Account sheet.

(h) The customer then keeps his valuables in the locker and then closes the locker with his key. (The closing of a locker requires only the customer's key).

(i) The customer may also mention a special 'pass-word' which also serves as an additional identity for the customer at the time of operation of the locker.

#### B. Procedure for Operating a Locker

(a) The customer whenever he wishes to remove something or keep something in his locker goes to the Bank to operate the locker.



(-)

(b) The Bank allows operation of lockers between particular timings (say, 10.30 A.M. to 4.30 P.M.) and the customer must go to the Bank during this time.

(c) The customer is asked to fill up an access register (Panel -3) and sign it.

(d) The Bank then permits access to the locker after verifying the customers signature with those recorded with the Bank (Para (c) above).

(e) The Bank also asks the customer to repeat the 'pass-word', if allotted.

(f) The Bank also verifies if the customer has paid his rent for the year.

(g) The Bank official, who has the other locker key, then accompanies the customer into the locker room and operates the key on the customer's locker and then comes out of the room.

(h) The customer then operates his key and opens the locker and withdrawing or deposits the articles/valuables.

(i) The customer then closes the locker with his key and goes away.

### C. Safeguards for a Locker

(1) The locker cabinet is built to provide protection against fire and theft.





(2) The cabinet is kept in a strong room with a special fire-and theft-proof gate which is locked by the bank.

(3) The locker can be opened only by operating both the (Bank's and the customer's) keys.

(4) Access is allowed only to customers on proper identification, when signatures are verified by the Bank and pass-word checked.

(5) Only the customer remains inside the locker-room when he handles his valuables. There is complete secrecy about it.

### 3. Methodology

(1) The teacher may highlight the importance of a Bank locker for those who have the problems of safe-keeping of their valuables.

Examples which stress the risk in keeping at home may be cited.

The teacher may use the 'incident' method to convey the idea. The following could be an example:

Scene - A room in a house where a person is sleeping.

Time -

Wife - Dear, I hear some sound; someone seems to be inside our house.

Husband - Please go to sleep. You always get dreams. There is no one. Both go to sleep. Early morning 5.00 A.M. Wife gets up to fetch milk.

She screams as soon as she sees the almirah containing her jewellery and cash open and things are lying scattered on the floor.

Husband - What is the matter dear? Why do you shout?

Wife - Thieves? Thieves? We have been looted. They have carried all my ornaments and the cash. What shall we do now?

Husband - I will go to the Police to report. 2-3 neighbours come running after hearing the cry of the wife.

Neighbour - Gupta, what is the matter? Did you have thieves?

Husband - Yes, they have taken her ornaments and cash worth about Rs.10,000/-. My life savings are gone.

Neighbour - Why were you keeping things in your almirah? You should have kept these things in a locker in the Bank.

Husband - A locker? What is it? How can I keep these things in the Bank? Tell me about a locker.

- (1) In the beginning the teacher may tell the students :
  - (a) The objectives of the lesson.
  - (b) The importance of lockers for people having valuables in their possession.
  - (c) This can be highlighted by means of the scene created at the beginning of this paper.
  - (d) Role played by the Bank in safe keeping of valuables.
  - (e) The relationship between the Bank and the customer i.e. of a lessor and lessee (tenant and landlord type of relationship).

(2) The teacher then proceeds to the contents part:

- (a) Hiring of a locker with the Bank.
- (b) Operation of a locker.

(3) The Bank procedures stagewise may also be discussed with the help of panels.

(4) In the end, the teacher may repeat and stress the safeguards available and come back to the earlier story to say how the Bank locker could have saved the situation for the person.

#### Aids Available to the teacher

- (1) Black board with lecture method.
- (2) Incident method using incidents like the one narrated.
- (3) Flip-chart showing a man with lot of jewellery worrying about their safety.
- (4) Flip chart showing a Bank's locker with a man bringing his jewellery to keep in the locker. He is beaming with satisfaction.

- (5) Panels of the agreement forms, access registers, etc.

Evaluation :

The teacher may ask the students :

Set A:

- (1) What is the difference between a Bank locker and a safe at home ?
- (2) Is <sup>it</sup>not safer to keep the jewellery at home and insure it against theft ?
- (3) Can another person go and operate someone's locker?
- (4) What happens if a person forgets his pass word ?
- (5) Can a person keep anything he pleases in the locker ?
- (6) What happens if the Bank opens a locker and removes the valuables ?
- (7) The hirer has not paid rent and goes to open his locker. What will the Bank do ?
- (8) The lady who has a locker has to suddenly go for operating at 6.30 P.M. Can she go and get her ornaments from the Bank?

Set B :

- (1) Can a locker be brought at home ?
- (2) Can you hire a locker without a 'locker agreement' with a bank ?

- (3) Is it necessary for you to open a savings bank and/or current account to be able to get a locker ?
- (4) How does a 'locker' differ from a 'locker account' ?
- (5) What is the use of an 'Access Register's' ?
- (6) How can the use of a 'pass-word' help a bank identify the real owner of a locker ?
- (7) What will happen if the real owner of a 'locker' loses his key and the thief having the key opens the locker and gets away with all valuables ?

-: 62 :-

STATE BANK OF INDIA

SAFE DEPOSIT DEPARTMENT

AGREEMENT FOR HIRING OF LOCKER

No.....

.....198

The State Bank of India (hereinafter called the Bank)  
agrees to let on hire and .....

.....  
.....  
.....(hereinafter called the Hirer (s)  
agree(s) to take on hire, subject to the conditions endorsed  
hereon the Bank's Locker No.....Class.....  
.....months

for \_\_\_\_\_ from this day at a rental of Rs.....  
One year

for the said period of which sum receipt is hereby acknowledged by the Bank. Unless and until determined in accordance with the conditions endorsed herein the hiring will thereafter continue for like periods upon the same condition and at the same periodical rentals which shall be payable in advance on the last day of the preceding period for the next ensuring period.

for STATE BANK OF INDIA

BRANCH MANAGER

CHIEF GENERAL MANAGER.

.....  
.....  
.....  
.....

Hirer(s)

+ 2. Access to the said locker shall during the joint lives of the Hirers or the survivors of them be had by the Hirers or the survivors of them jointly.\* any one or more of the Hirers, until the Bank receives a notice to the contrary from either/ any one of the hirers in which even access shall be had by the hirers or the survivors of the jointly. On the death of all the Hirers save one all the rights of the Hirers hereunder shall vest in such survivor and upon his death shall vest in his legal representative.

CONDITIONS

1. The safe deposit vault will remain open from .....to daily except Saturdays, Sundays and bank holidays. On Saturdays it will remain open from -----to-----
2. All rentals are Payable strictly in advance and the Bank reserves the rights of refusing access to the locker in the event of the rental not being paid when due whether the same has been demanded or not.
3. The Hirer shall have no right of property in the locker but only an exclusive right of user thereof and access there to during the period of this agreement and in accordance therewith. The Hirer shall not assign or sub-let the locker, or any part of it, nor permit it to be used for any purpose other than for the deposit of documents jewellery or other valuables nor shall the Hirer use the locker for the deposit of any property of an explosive or destructive nature.
4. All property is received and held by the Safe Deposit Department of the Bank subject to a general lien for all moneys due from the Hirer with power to sell such property or part thereof in satisfaction of moneys due but not paid.
5. Either party may terminate the agreement on giving to the other seven days' previous notice in writing prior to the date on which the agreed period of hiring terminates of such intention and the keys of the locker shall in such case be delivered by the Hirer to the Bank not later than noon on the day of the termination of the hiring.



6. If no such notice as aforesaid shall have been given the hiring of the locker shall be considered renewed after the date of determination but this condition is without prejudice to the rights of the Bank accrued in the meantime.

7. Without prejudice to any other remedies which the Bank may have against the Hirer all rights to the use of the locker shall at the option of the Bank be forfeited upon non-payment of the rental whether the same shall have been demanded or not, or upon breach of any of the conditions hereof by the Hirer and the Bank shall be at liberty to break open the locker and either to forward (by parcel post or other reasonable means and at the Hirer's risk) the contents of the locker to the Hirer at his registered address or may retain and keep the said contents in such other locker or place as it may think fit, at a rental of double the amount of the rental hereof agreed to be charged.

8. If the key or keys of the locker be lost by the Hirer, the Safe Deposit Department of the Bank should be notified without delay. All charges for opening the locker, replacing the lost key or keys, and for changing the lock shall be payable by the Hirer.

9. All repairs required to be done to the locker, lock or keys shall be done exclusively by workmen appointed by the Bank.

10. The Safe Deposit Department of the Bank should be notified of any change of address of the Hirer and any notice or communication sent by post to the registered address of the Hirer shall be considered to have been duly served.

11. For reasons of grave or urgent necessity the Bank reserves the right of closing the Safe Deposit Department for such period as it may consider necessary. The Bank also reserves the right of making changes in the opening and closing hours of the Department without any previous intimation."

12. Hirers are cautioned to keep the keys of their lockers in a place of safety, not to divulge the number of their lockers and their passwords (if any given) and not to deliver their keys, for the purpose of operating on the lockers or otherwise, to any person other than their duly authorised agent.

A hirer who is desirous of so appointing an authorised agent, may do so by executing a power of attorney in such form as may be stipulated by the Bank for the purpose and have it registered with the Bank before the agent could be permitted to operate on the locker. It would not however be necessary for the hirer to execute a power or attorney in cases where the Intention is merely to surrender a locker that has already been cleared of its contents in that event the key could be surrendered by the hirer through his agent who should produce a specific letter of authority signed by the hirer bearing the attested specimen signature of the

agent along with a letter of surrender signed by the hirer. No responsibility would devolve on the bank as a consequence of its having accepted the key of the surrendered locker from the agent of the hirer.

13. It is hereby agreed that the relation of the Bank and the Hirer in this connection is that of licensor and licensee and not that of a Banker and customer.

14. The Hirer agrees to abide by such rules and regulation as the Safe Deposit Department of the Bank may from time to time adopt.

PANEL 2

STATE BANK OF INDIA

ALL MONIES TO BE DEPOSITED

TO THE BRANCH MANAGER

.....198

No.....

REGISTERED WITH ACKNOWLEDGEMENT DUE

.....

.....

.....

Dear Sir,

SAFE DEPOSIT LOCKER NO.....

We beg to inform you that rent on the above-noted locker from .....to.....amounting to Rs.....fell due for payment today.

As two years rent, amounting in all to Rs.....now remains unpaid; the locker must be surrendered at once and we hereby give you notice that if the sum is not paid by you within one month from the date hereof, the locker will be broken open and the contents disposed of in accordance with your hiring agreement and you will be liable, on the hiring agreement, for all arrears of rent and other costs incurred in this connection.

Yours faithfully

BRANCH MANAGER

lockers -- PANEL\_3

STATE BANK OF INDIA

BRANCH

ACCESS REGISTER

Please permit access to my

Locker No \_\_\_\_\_.

Date \_\_\_\_\_

Time \_\_\_\_\_

\_\_\_\_\_  
( SIGNATURE OF HIRER )

access permitted.

Date \_\_\_\_\_

Time \_\_\_\_\_

\_\_\_\_\_  
(SIGNATURE OF BANK'S  
OFFICIAL )



## Unit 4

### LOANS AND ADVANCES

#### INTRODUCTION

The development of modern economy is entirely dependent on the credit system developed in the country. Banks are now-a-days the main instruments of providing credit to the constituents. Credit means confidence and the whole banking system is rested on the edifice of confidence. In the process of credit creation banking system generates continuous credit flow. It is essential on the part of the banking system to see that the credit system is maintained and strengthened. There are many components of the banking system. We have development banks to provide loans to the business undertakings on long term basis with the objectives of promoting industries. Commercial banks provide medium term and short term credit to the business firms and undertakings. They also provide credit to the individuals. Banking is a business proposition. Any bank, while providing loans must observe certain rules of profitability and security.

In order to safeguard its own interest, the banking system provides loans against collateral. Some loans are secured and some unsecured. Unsecured loans are clean loans. In the case of secured loans,





the pertinent question to be examined is the quality of the collateral.

### OBJECTIVES

The main objectives of this unit are to (i) develop the legal concept of the different types of charging the collateral and (ii) to develop the ability to distinguish the main features of each type of charge.

### CONTENT

The teacher should develop the concepts of the various terms with appropriate examples taken from the life situation. In the process the teacher should encourage the students to put questions in the class to develop the ability of analysis.

The following concepts have to be developed:

1. Secured advance/Collateral
2. Hypothecation
3. Pledge
4. Bailment
5. Mortgage
6. Charge

### SECURED ADVANCE/COLLATERAL

- (i) Loan which is only supported by a promise to pay back is called unsecured/clean.
- (ii) Loan, which is backed by adequate security in terms of either goods, buildings, documents of title to goods, life insurance policies, shares, certificates and debentures, government securities or personal guarantee is called secured advance.
- (iii) Assets placed at the disposal of the banker for the purpose of advancing loan is called collateral.
- (iv) Assets placed at the disposal of the banker does not entitle the banker to ownership of such assets.
- (v) The banker acquires a limited interest in the assets depending on the way the property is charged.

### CHARGE

The concept of charge connotes extent of interest that a banker acquires over the goods and what he can do in case there is a default by the borrower.

### BAILMENT

Bailment means delivery of goods in trust for specific purpose, when the purpose is over the possession of the goods passes back to the owner.

Examples:

I. Mr. 'A' is running a small scale industry. Because of the strike in his firm, the cash-inflow was temporarily discontinued. He wants a loan from the commercial bank to maintain the cash-inflow. For this purpose he has the following options:

- (i) He has got raw materials in the godown. He is prepared to handover the key of the loan to the banker.
- (ii) Without parting with the key, he is prepared to allow the banker to have access and control over the godown.
- (iii) He can deposit the title deeds with the banker.

In all the above three cases, the collateral security is available to the firm to be charged by the banker. The teacher should explain and point out the implications.

HYPOTHECATION

- (i) It is a mortgage of movable property.
- (ii) The possession is not transferred to the banker.
- (iii) The borrower has the right to deal with the goods until such time the banker wants to endorse the security.
- (iv) Once the banker demands the possession of goods, it becomes pledge.
- (v) So long the goods are under hypothecation, the legal interest lies with the banker.
- (vi) There is no hypothecation, if the goods are delivered to the banker.
- (vii) There is no hypothecation, if the borrower cannot deal with the goods in the natural course of business.
- (viii) It does not apply to immovable property.

### PLEDGE

- (i) Pledge is a bailment.
- (ii) The purpose of bailment is to create a charge for securing debt.
- (iii) Goods which are subject to pledge are restored to the owner when the debt is paid back to the banker.
- (iv) The owner is called pledger and the banker is called pledged

### MORTGAGE

- (i) It is another way of charging by the banker.
- (ii) It applies in the case of immovable property.
- (iii) The party which mortgages immovable property to the banker is called mortgager and the bank is called mortgagee.
- (iv) In the case of mortgage there is transfer of ownership in favour of the creditors.
- (v) When the debt is repaid within the stipulated time, the borrower gets back his ownership.

### Problems

Ajanta Limited is a manufacturer of container for industrial use. They have their own land, factory premises and the other inputs for production. They wish to expand the scale of operation and wants both working capital and medium term loan. They seek your advice on the following points as a banker.

- (i) Would it be possible for the bank to give a clean loan?
- (ii) What type of collateral the trustee would like to offer to the Banker?
- (iii) What type of charge should be created to secure the property by the bank?

Possibilities are :

- (i) The whole factory can be mortgaged.
- (ii) Raw Materials and work-in-progress and finished inventory can be hypothecated.

Of the two possibilities which would be preferred by the banker and why?

Messrs Ajanta Enterprises are engaged in fabricating stell structures. They want to have working capital for buying materials and paying wages.

- (i) Would it be possible to pledge or hypothecate the materials called work-in-progress?
- (ii) In the case of finished goods, is it possible to create a pledge?
- (iii) Assuming yourself as a banker, which will you prefer, the hypothecation or pledge?

What type of charges can be created for the following cases?

- (i) A fruit vendor wants small loan advance for expanding his business.
- (ii) A professor of a college wants to construct a residential house. He already owns a piece of land.

- (iii) A youngman newly married decides to start a small business in his rented residence. He has fixed deposit receipts and jewellery.

### Types of Mortgages

- (a) Simple mortgage,
- (b) Mortgage by way of conditional sale, and
- (c) Equitable mortgage.

#### (a) Simple Mortgage

- (i) Mortgagee cannot get the possession of the property.
- (ii) He cannot get any payment out of the property.
- (iii) He does not have the possession of the property.
- (iv) Failure of non-payment of the advance does not entitle the mortgagee to acquire or sell the property without the order of the court.

#### (b) Mortgage by way of conditional sale

- (i) The sale is not real.
- (ii) The sale becomes real and absolute when the mortgagor makes default in payment.
- (iii) The mortgagee does not get possession of the property.
- (iv) It must be registered.
- (v) There is no personal covenant for the repayment of the debt.
- (vi) The mortgagee can sue the mortgagor for acquiring the possession of the property.

### Equitable Mortgage

- (i) It can be done only in a specified place notified by the government.
- (ii) The territorial jurisdiction is restricted to the place where the title deeds are deposited with the banker for the purpose.

### EVALUATION

- (i) 'K' has mortgaged his house to the banker for a loan of three-year period. He fails to make the payment. The banker wants to acquire the property immediately. Advise him as to whether he can proceed with the occupation.
- (ii) Rum Real Estate has constructed apartments and obtained bank accommodation. For this purpose the apartments were mortgaged with a condition that in the event of non-payment of loan by a specified date, the mortgage shall become absolute. On that date Rum Real Estate could not repay the loan to the banker. What will the banker do in this case?
- (iii) Nagrajan of Madras has got a residential house worth rupees four lakhs. He wants to start a small scale industry with a capital of rupees two lakhs. He is not ready to spend much money and time on formality. Advise him of a simple and economical way of raising a bank loan.

### Question

Compare the following charges on the points given below:

Points	Mortgage	Hypothecation	Pledge
Convenience of the borrower	/		
Convenience of the banker			
Safety of the fund of the banker			

### TEACHING AIDS

The teacher should collect the following forms from the local bank and discuss the implications of the content of the form in the class.

- i) Letter of Pledge
- ii) Agreement for a secured loan
- iii) Memorandum of agreement securing hypothecation
- iv) Pledge of goods to secure an overdraft.



## Unit 5

### Accounting System of a Bank Branch

I      Introduction:    In the existing system of Vocational education in Commerce, students need job-oriented education so that they are able and competent enough to do the task as a clerk in the bank. Taking into consideration this view point, an attempt is made to help the vocational Commerce teacher to engage himself effectively in the teaching - learning process in such a way that it becomes operational and functional leading to job-oriented Commerce education with special reference to the principal books of accounts maintained by a banking organization and the various forms and vouchers used therein.

#### Objectives:

To help teachers to make students.

1. Acquaint with various kinds of books of accounts maintained by a banking organization and the vouchers/forms used therein.
2. Understand the nature of banking accounting and the documentary support to.
3. Analyse the sequence of recording cash and transfer transactions in the Cash Book, day Books and General Ledger.
4. Apply the principles and procedures of accounting in recording Cash and transfer transactions in the books of accounts maintained by a banking organization.

### III Content

- A. Nature of Banking Accounting: There are two types of records maintained by a banking organization: Accounting Records and Statistical Records. Here, we are concerned with the system of banking accounting which refers to that systematic recording of transactions of a bank in the concerned books of accounts and maintain them properly for future needs.

The fundamental principles of recording transactions in the books of account in any business organizations are the same but their details and procedures differ from one organization to the other. The banking business differs from that of a trade, commerce or industry with regard to the transactions conducted there. There is the continuous flow of physical goods in a business organization while in a banking organization there is no flow of physical goods since it renders service to its customers. Considering the following examples find out the nature of the transactions of a bank

- |    |                                     |           |
|----|-------------------------------------|-----------|
| a) | Sold an old f                       | Rs.200/-  |
|    | for                                 |           |
| b) | Bought two typewriters/office use " | 3,354/-   |
| c) | Bank Draft charges                  | " 345/-   |
| d) | Discounting of Bills                | " 2,340/- |

The transactions of a business organization are called as trade transactions while that of a bank they are termed as banking transactions which can be classified as cash Transactions and Transfer.Transactions. Cash transaction is one that is related to the receipt and payment of cash and a transfer transaction is one that is related to a transfer transaction is a transaction other than the receipt and payment of cash. The following examples help in understanding whether a transaction is a cash transaction or a transfer transaction.

- a) Depositing Rs.500/- in current A/c
- b) Buying travellers Cheques for Rs.1000/- by debiting the savings Bank A/c of the customer.
- c) Standing orders to a banker to transfer Rs.50/- from savings Bank A/c to Recurring Deposit A/c.

A banker renders services to its customers in two ways: direct and as an agent. The following examples help in discriminating whether the service rendered by a banker is direct or as an agent.

- a) Providing facility for the safe custody of valuable <sup>in</sup> current and ornaments.
- b) Depositing the premium <sup>in</sup> the LIC on the standing orders of its customer.
- c) Discounting of a Bill of Exchange.

Whenever a banker renders service to its customer it gets the remuneration for the same. It is called as service charge. Service charge can be classified as follows

Service		Charge	
Interest (Loans & Advances)	Commission (Safe Deposits)	Discount (Usance Bills)	Exchange (Remittances & Purchase of bills)

## B. Documentary Support to Accounting

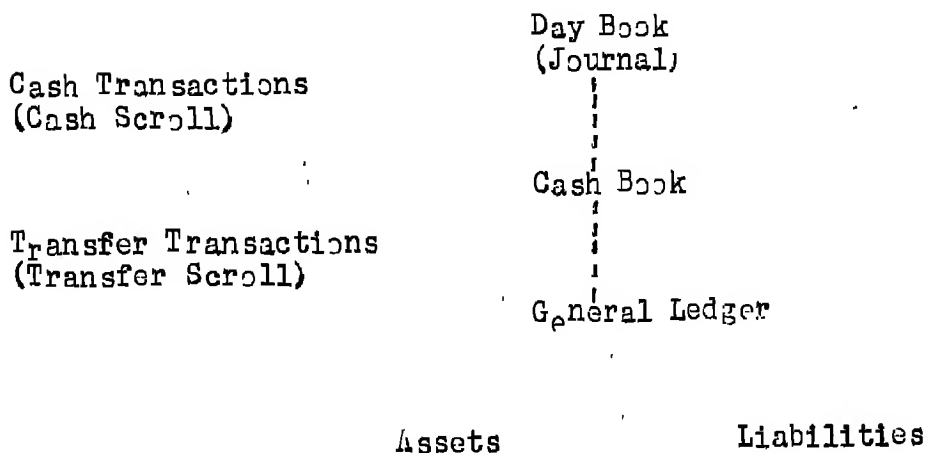
Records: For recording transactions in books of account it is necessary to have documentary evidence. There are various kinds of vouchers and forms used in a banking organization. These vouchers forms can be either cash vouchers or transfer vouchers. The examples of cash vouchers forms are with drawal forms cheques current A/c and Saving bank, cash certificate pay in slip etc. and the examples of transfer vouchers forms are debit/credit vouchers, debit/credit transfer responding, mail/telegraphic transfer etc. Since the banking transactions are classified as Cash and

transfer transactions the accounting records can be classified as Cash transaction and transfer transaction.

6. Accounting Records and Vouchers forms:

The following chart shows the main books of accounts maintained by a bank and example relates to the Books of State Bank of India.

Flow of Transactions in Books of A/cs



Both the Cash and Transfer transactions are recorded in the cash book under the category of cash scroll and Transfer scroll respectively. These transactions are also recorded in the Day Books like savings Bank Day Book, Payment orders Day Book, SBI Bill Day Book.

Thus, any entry that is made in the Cash Book is also made <sup>in</sup> the respective Day Book so as to have a check. The debit totals of the cash Book should tally with the all debit balances of various Day Book's and similar is the case with regard to the credit balances of the cash Book. In other words, one transaction is entered in Cash Book both sides and at the same, time in the respective Day Books. All transactions are recorded in Day Book, there they are also recorded in Cash Book and finally they go to the General Ledger where Assets and Liabilities Accounts appear so as to know the financial position of a bank. In short, it is the book keeping cycle that is followed in practice in a banking organisation.

The following accounts are written on the Cash Book in two major heads Cash Scroll and Transfer Scroll.

Branch Clearing General A/c

SBI Extra Zonal General A/c

SBI India Zonal General A/c

Inter Branch Item-in-Transit A/c

Local offices clearing A/c

Current Accounts

Savings Bank Accounts

Term Deposits Accounts

Special Term Deposits Accounts

Janta Deposits Account

Recurring Deposits Account

Cash Certificate Accounts

Annuity Deposits Account

Sundry Deposits Accounts (or)

Deposits  
(Liabilities)

Demand Loans Account

Term Loans Account

Agricultural Term Loans Account

Cash Credit Accounts

Agricultural Cash Credit Account

Loans &  
Advances  
(Liabilities)

Demand Drafts Received for realization Account

Bank Bill, Receivable Account

SBI Bill Account

Bills for Collection Account

Bills Lodged A/c

Bills Discounted Account

Protested Bills Account (No recovery)

Bills of Exchange Account foreign

Inland Bills Account

Payment orders Account

Draft Payable Account (not in practice)

Drafts Account (used to normally)

Rupee Travellers Cheques Account

Savings Bank Interest Account

Term Deposit Interest Account

Janta Deposit Interest Account

Recurring Deposit Interest Account

Cash Certificate Interest Account

Stationery Account

Stamp Account

Discount account

Interest Account

Exchange Account

Commission Account

Charges Account

Expenses

Income



Suspense account ) Income

Sub-office(s) Account

Sub-office Cash Balance Account

Branch Cash Balance Account



Assets

Various types of forms and vouchers are used by a bank and its customers that form the evidence for recording transactions in the respective accounting books. A suggestive list of forms is given below:

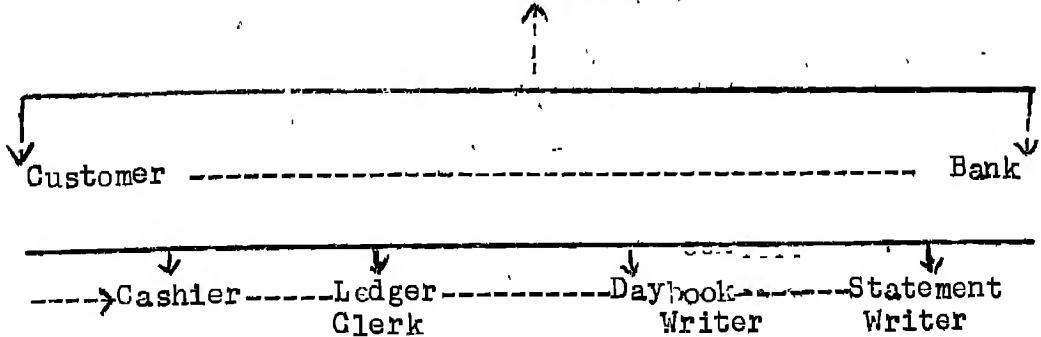
1. Withdrawal Forms
2. Pay in Slips
  - a) Current A/c
  - b) Saving Bank A/c
  - c) Recurring Deposit
  - d) Cash Certificate
3. Cheque Book as acknowledgement
4. Application forms to open Accounts
5. Statement of Current Account
6. Deposit at Call Application Form
7. Term Deposit Receipt
8. Vouchers to
  - a) Debit an A/c
  - b) Credit an A/c
  - c) Debit & Credit an A/c

9. Transfer - Responding to
  - a) debit Branch Clearing General A/c
  - b) credit Branch Clearing General A/c
10. D/D Purchased Debit Slip Letters  
addressed to the other bank for the dis-  
honour of a document: cheque, Bills,  
Drafts, etc.
11. Drafts Cancelled Voucher
12. Memo for the receipt of R/R I delivery  
of goods on payment
13. Telegraphic Transfer Voucher
14. List of Telegraphic Transfers purchased
15. Application form for Draft/Mail Transfer/  
Banker's cheque
16. Demand Loan Voucher to
  - a) Credit of Demand Loan Account
  - b) Debit Demand Loan Account

Note: Specimens of the above mentioned vouchers/  
forms are given in Appendix

## Procedure of a Cash Transaction

(Current Account)



### An Illustration:

(Cash Transaction)

Mr. X a businessman having current account in the State Bank of India, Bhopal wants to deposit Rs.4,000/- in his account. How is this transaction entered in the various books of account? The procedure is as follows:

1. Mr. X fills the current a pay-in-slip correctly and goes to the receipt counter (Cash) with Rs.4,000/-
2. The cashier at the counter Counts Rs.4,000/- checks the pay-in-slip that it is duly/correctly filled in, puts the stamps on the pay-in-slip (both foil and counter foil) and signs to the effect that money is received, and enters in the Cash Receipt Register.

3. The pay-in-slip reaches the Ledger clerk who post<sup>s</sup> the entries in Mr X's current account and puts his signature.

### Methodology

- A. Nature of Banking Accounting:
  1. Narration-cum-discussion making use of examples of bank transactions.
  2. Chart showing service charge have discussion with students.
- B. Documentary Support to Accounting Records:
  1. Narration with the help of forms/vouchers of a banks leading to discussion.
- C. Accounting Records and Vouchers/Forms:
  1. Procure books of accounts and vouchers/forms of a bank or arrange a field trip to a bank in your locality so that students have an access to them.
  2. Show them to the students (if sufficient number of books of accounts, vouchers/forms are available distribute them to the students) and have discussion along with narration. Involve a person from the bank during the course of discussion, i.e. adopt team-teaching if possible.

3. Chart showing flow of transactions - have discussion with students.
4. Proc re sufficient number of pages of a cash book of a bank showing the names of various accounts refer to appendix explain them to the students. Request bank person to explain and involve in discussion. Ask students to tell which are liabilities, assets, expenses and income.
5. Chart showing the procedure of account and the task(s) done by each person in the bank - Take an example and use it effectigely.

Note: Avoid lecture and have achieve participation of students through discussion and field trip.

Evaluation:

1. How is banking accounting different from general accounting?
2. What are the documentary evidences called that help an accountant of a bank to record transactions in the Cash Book? Give ten examples:
3. Write the tasks performed by the following in the Bank of Baroda of your town:
  - a) Cashier on the counter.
  - b) Ledger writer.
  - c) Day-Book writer.
  - d) Monthly statement writer.

4. When the double entry of each transaction is made in the Cash Book of State Bank of Mysore, why is it necessary to record transactions in the various Day-Books of the Bank?
5. Define 'Service Charge' illustrate with examples any three service charges.
6. Give three examples each of Cash transactions and transfer transactions.
7. Differentiate between the following service charges :
  - a) Discount and Commissions
  - b) Discount and Exchange.

The Pass-Book must accompany this Order Form; otherwise payment will be refused.

.....19

TO : STATE BANK OF INDIA

SAVINGS BANK

.....

Please pay self or bearer

Rupees.....

Rs. ....

and debit the amount to my/our Savings Bank's

Account No.....

By.....

..... Ledger Folio .....  
..... Initials.....

CASH STATE BANK OF INDIA

C.O.S. 36

SAVINGS BANK PAY-IN-SLIP

STATE BANK OF INDIA

CASH

19

Rs. P.

Paid to the State Bank of India  
for credit of Saving Bank Account

100x .....  
50x .....  
20x .....  
10x .....  
5x .....  
2x .....  
1x .....

Rupees

Coil

Total

Paid into the CREDIT of the Savings  
Bank Account of .....  
Rupees.....

Rs. Cashier's Scroll No.....

Cashier.....

Head Cashier.....

Lead Cashier.....

Jotting Book No..... By.....



STATE BANK OF INDIA

SAVINGS BANK PAY - IN - SLIP

.....19

For Cheques, Drafts, etc. only

Account No.....

Ledger Folio.....

Paid into the CREDIT of the Savings Bank Account Rs.....  
.....  
Rupees .....  
.....  
on realisation as per particulars overleaf.

Rs.....

Passing Official.....

Scroll Transfer.....

By.....



-: 96 :-

PARTICULARS

Drawee	Amount	
	Rs.	P.

STATE BANK OF INDIA

..... BRANCH

Dated .....

Shri/Smt.....  
.....  
.....  
.....

Dear Sir/Madam

Banker's Cheque

We enclose our Cheque No.....  
dated..... for Rs.....  
which represents.....  
.....  
.....

Yours faithfully,

Branch Manager.

C.O.S. 92 BC.  
An11322/3-81/1,Lac.



STATE BANK OF INDIA

..... BRANCH

SAVINGS BANK ACCOUNT  
(Ordinary Type)

STATE BANK OF INDIA.....BRANCH:.....19.....

DEAR SIRs,

I/WE REQUEST YOU TO OPEN A SAVINGS BANK ACCOUNT IN YOUR BOOKS  
IN THE FOLLOWING STYLE:

BLOCK LETTERS


I/WE AGREE TO COMPLY WITH THE BANK'S RULES IN REGARD TO SAVINGS  
BANK ACCOUNTS

THE ACCOUNT IS TO BE OPERATED BY

--

UNTIL YOU RECEIVE NOTICE FROM ANY ONE OF US TO THE CONTRARY.  
THIS CLAUSE SHOULD BE DELETED WHEN THE OPERATION IS OF THE  
CATEGORY MARKED @ BELOW).

YOURS FAITHFULLY,

SIGNATURE	NAME AND NATIONALITY	ADDRESS & TELEPHONE NO.

PLEASE INSERT IN THE BOX ONE OF THE FOLLOWING CHOICES OF OPERATION.

WHEN THE ACCOUNT IS OPENED BY TWO  
INDIVIDUALS:

1. BOTH OF US OR SURVIVOR
2. EITHER OF US OR SURVIVOR
3. FORMER OR SURVIVOR
4. LATTER OR SURVIVOR

WHEN THE ACCOUNT IS OPENED BY  
THREE INDIVIDUALS:

1. ALL OF US OR OF SURVIVORS
2. ANY TWO OF US OR SURVIVOR
3. ANY ONE OF US OR SURVIVOR
- @4. 'A' ONLY, BOTH OF SURVIVORS  
'B' AND 'C' OR LAST  
SURVIVOR
- @5. 'A' ONLY, EITHER OF SURVIVORS  
'B' AND 'C' OR LAST SURVIVOR
- @6. 'A' ONLY, 'B' ON DEMISE OF  
'A', OR LAST SURVIVOR
- @7.
- @8.
- @9.
- @10.

THE CHOICES OF OPERATION IN THE CASE OF MORE THAN THREE PERSONS ARE  
NOT PRINTED HERE. HOWEVER, A SUITABLE MODE OF OPERATION SHOULD BE  
RECORDED HERE AND ENTERED IN THE BOOK.

FOR OFFICE USE:		BRANCH	ACCOUNT No.
OPEN ACCOUNT			
SIGNATURE OF DIV/BR.MANAGER			
ACCOUNT OPENED, INDEXED AND NEW ACCOUNT LABEL AFFIXED			
LEDGER KEEPER			
LEDGER HEADINGS AUTHENTICATED			
SUP. OFFL.			



SAVINGS BANK ACCOUNT

STATE BANK OF INDIA..... BRANCH:..... 19.....

DEAR SIR/MS,

WE REQUEST YOU TO OPEN A SAVINGS WORK (CHEQUE FACILITY) ACCOUNT  
IN YOUR BOOKS IN THE FOLLOWING STYLE:

WE AGREE TO COMPLY WITH THE BANK'S RULES IN REGARD TO SAVINGS  
BANK (CHEQUE FACILITY) ACCOUNTS. PROPOSED MINIMUM BALANCE RS.....  
THE ACCOUNT WILL BE OPERATED BY

\*

+ UNTIL YOU RECEIVE NOTICE TO THE CONTRARY FROM ANY ONE OF US.  
(\* THIS CLAUSE SHOULD BE DELETED WHEN THE OPERATION IS OF THE  
CATEGORY MARKED @ BELOW).

INTRODUCTORY REFERENCE:

NAME

OCCUPATION

ADDRESS

PLEASE ISSUE ME/US A CHEQUE BOOK FOR USE ON THE ACCOUNT  
YOURS FAITHFULLY,

SIGNATURE

NAME AND NATIONALITY

ADDRESS & TEL.NO.



I HEREBY INTRODUCE TO THE BANK, FOR THE PURPOSE OF OPENING OF  
ACCOUNT. THE ABOVE APPLICANT WHO IS/ARE KNOWN TO ME PERSONALLY.

SIGNATURE OF INTRODUCER

\* PLEASE INSERT IN THE BOX ONE OF  
THE FOLLOWING CHOICES OF OPERATION:  
WHEN THE ACCOUNT IS OPENED BY TWO  
INDIVIDUALS:

- 1. BOTH OF US OR SURVIVOR
- 2. EITHER OF US OR SURVIVOR
- @ 3. FORMER OR SURVIVOR
- @ 4. LATTER OR SURVIVOR

WHEN THE ACCOUNT IS OPENED BY  
THREE INDIVIDUALS:

- 1. ALL OF US OR OF SURVIVOR
- 2. ANY TWO OF US OR SURVIVOR
- 3. ANY ONE OF US OR SURVIVOR
- @ 4. 'A' ONLY, BOTH OF SURVIVORS  
'B' AND 'C' OR LAST SURVIV-  
ORS
- @ 5. 'A' ONLY, EITHER OF SURVIVORS  
'B' AND 'C' OR LAST  
SURVIVORS
- @ 6. 'A' ONLY, 'B' ON DEMISE OF  
'A' OR LAST SURVIVOR
- @ 7.
- @ 8.
- @ 9.
- @ 10.

THE CHOICE OF OPERATION IN THE CASE OF MORE THAN THREE PERSONS ARE  
NOT



-: 106 :-

PARTICULARS

CHEQUE NUMBER	Rs.	P.









TERM DEPOSIT ACCOUNT

STATE BANK OF INDIA \_\_\_\_\_ BRANCH \_\_\_\_\_ 19 \_\_\_\_\_

Dear Sir,

Please accept on Deposit Rs. .... (Rupees. ....  
 ....) For.....months, in favour of the following  
 The current rate of interest being..... per annum.

BLOCK LETTERS

A

B

C

I/We agree that deposit is repayable only at maturity. Please permit withdrawal of interest at half-yearly/yearly intervals. If the Bank agrees, at its discretion, to make payment before maturity at my/our request. I/we agree that such repayment would be on forfeiture of interest by me/us unless the Bank, at its discretion decides to pay interest at a rate equal to or below the rate, arrived at in accordance with the stipulation laid down by the Reserve Bank of India in this regard.

I/we agree also that terms and conditions-including the rate of interest-may be altered by the Bank in pursuance of any directive which the Reserve Bank of India may issue from time to time and that the same will be binding on me/us without notice.

The principal and interest of the Term Deposit should be held at the disposal of

\*

\* Until you receive notice to the contrary from any one of us

This clause should be deleted when the operation is of the category marked @ below

Yours faithfully,

	SIGNATURE	NAME AND NATIONALITY	ADDRESS & TELEPHONE NO.
A			
B			
C			

\* Please insert in the box one of the following choices of operation:

When the account is opened by two individuals:

1. Both of us or survivor
2. Either of us or survivor
- @3. Former or survivor
- @4. Latter of survivor

When the account is opened by three individuals:

1. All of us or survivor
2. Any two of us or survivor
3. Any one of us or survivor
- @4. 'A' only both survivors 'B' and 'C' or last survivor
- @5. 'A' only, either or survivor 'B' and 'C' or last survivor
- @6. 'A' only, 'B' on demise of or last survivor.

The choices of operation in the case of more than three persons are not printed here, however a suitable mode of operation should be decided upon and entered in the box.

-: 115 :-

FOR OFFICE USE

TDR No.					
RENEWED ON	NEW TDR No.	AMOUNT	FOR (MONTHS)	RATE	INITIALS
BRANCH		TO ACCOUNT No.		SAFE CUSTODY A/c No.	

G.O.S. 100 (R)

LIA

BRANCH

19

Paid in to credit of Term Deposit Account Rupees

for issue of Term Deposit Receipt in favour of

for ----- months Application giving repayment instructions etc. attached.

TDR No.

Date

N.A.

Depositors

Checked

Received Deposit  
Receipt

Signed

Indexed & Diarised

Due Date

Depositors

C.O. S. 523

Recurring Deposit Pay-in Slip

Cash/Transfer

Notes/Cheques

Rs. p.

STATE BANK OF INDIA

..... IS

(Branch)

Account No.....

Ledger/Folio.....

Total

.....

Cashier's/Transfer Scroll

Paid into the credit of the Recurring

No.....

Deposit Account of.....

Cashier.....

Rupees.....

Head Cashier.....

towards.....instalment

Passing Official

By

Jotting Book No.....

Rajkamal/F-248/6-82/5 Lacs

TO STATE BANK OF INDIA

TRANSFER - RESPONDING

EBBIT Branch Clearing General Account

(Rupees

Branch,

19

Branch Manager

Particulars

Amount

Rs.

P.

(Countersigned at Receiving Office)

19.

Scroll Transfer

Branch Manager

TO STATE BANK OF INDIA

TRANSFER-RESPONDING

-: 120 (A) :-

STATE BANK OF INDIA

19

DEBIT \_\_\_\_\_

AND CREDIT \_\_\_\_\_

RS. \_\_\_\_\_

BRANCH MANAGER

C.O.S. 191  
CLPT./10/11-76/2 Lacs

TO STATE BANK OF INDIA

TRANSFER - RESPONDING.

DEBIT BRANCH CLEARNING GENERAL ACCOUNT

(Rupees \_\_\_\_\_)

\_\_\_\_\_ Branch,

\_\_\_\_\_ 19

Branch Manager

Particulars

Amount

Rs.

P.





(Countersigned at Receiving Office)

19. Scroll Transfer Branch Manager

TO STATE BANK OF INDIA

TRANSFER - RESPONDING

CREDIT Branch Clearing General Account

Branch, Rs.

(Rupees

Branch,

19

Branch Manager

Particulars

Amount  
Rs. P.

(Countersigned at Receiving Office)

19

Scroll Transfer

Branch Manager

STATE BANK OF INDIA

All Letters  
to be Addressed to  
the Branch Manager

No. \_\_\_\_\_ 19\_\_\_\_

Dear Sir,  
Madam,

With reference to your letter of \_\_\_\_\_ enclosing  
\_\_\_\_\_

I beg to hand you herewith a draft on \_\_\_\_\_  
for Rs. \_\_\_\_\_ as per fmo at foot.

STATE BANK OF INDIA

ssed to  
Manager

\_\_\_\_\_19  
No. \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

reference to your letter of \_\_\_\_\_ enclosing

\_\_\_\_\_ and you herewith a draft on \_\_\_\_\_  
\_\_\_\_\_ Nas per memo at foot.

Yours faithfully,

Branch Manager.

M E M C

	Rs. _____
	Rs. _____
stage	Rs. _____
TOTAL	Rs. _____

91/2 Lacs.

23.



From STATE BANK OF INDIA

TO STATE BANK OF INDIA

---

DRAFTS CANCELLED

The undernoted draft which was drawn on you has been cancelled by us today. Please make necessary notings in the draft advice and file it.

---

19

---

Branch Manager

---

Draft No.	Date of issue	In favour of	Amount		Noted and filed- Initials
			Rs.	P.	

---

---

C.O.S. 77R

STATE BANK OF INDIA

MEMO

19

For \_\_\_\_\_ No. \_\_\_\_\_

I have received from \_\_\_\_\_  
\_\_\_\_\_

a demand draft together with the relative R/R, delivery of  
which I shall be glad to effect to you on payment of Rs. \_\_\_\_\_

Branch Manager

C.O.S.63x NJPB/40,000/4-79







CURRENT ACCOUNT  
(FIRMS)

STATE BANK OF INDIA \_\_\_\_\_ BRANCH: \_\_\_\_\_ 19\_\_\_\_

Dear Sirs,

I/we request you to open a Current Account in your books in the  
name of my/our Firm styled as follows:

BLOCK LETTERS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Nature of Business \_\_\_\_\_ Proposed minimum balance in  
the account Rs. ....

	NAME	NATIONALITY	OCCUPATION	ADDRESS & TELEPHONE NO.
1	_____	_____	_____	_____
2	_____	_____	_____	_____
3	_____	_____	_____	_____
4	_____	_____	_____	_____
5	_____	_____	_____	_____
6	_____	_____	_____	_____

We agree to comply with the Bank's rules in regard to current accounts. The account will be operated by \_\_\_\_\_ the above mentioned partners jointly/severally.

INTRODUCTORY REFERENCE

OCCUPATION

NAME

ADDRESS

Please issue us a cheque book for use on the account.

Yours faithfully,

1 \_\_\_\_\_ 3 \_\_\_\_\_ 5 \_\_\_\_\_  
2 \_\_\_\_\_ 4 \_\_\_\_\_ 6 \_\_\_\_\_

I hereby introduce to the Bank, for purpose of opening account,  
the above firm which is known to me, the partners are also known  
to me personally.

Signature of introducer

FOR OFFICE USE

Partnership Deed Obtained or Not  
of Document if Obtained.

Signature of introducer

Signature of Div./Br.  
Manager

No. and Date of Partnership Letter

Account Opened, Indexed and  
New Account Label Affixed

NOTE:

LEDGER KEEPER

If all the partners are not available, at least those operating the account should sign the partnership letter, (Other Signatures Being Obtained Later) Provided Partnership Deed is Obtained. If Partnership Deed is not Obtained, then All the Partners Should Sign. The Partnership Letter Before the Account Can Be Opened.

Ledger Headings Authenticated

SUP. OFFL.



FOR OFF  
Partner  
of Docu

No. and

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NOTE:

If all t  
able, at  
account  
ship let  
Being Ob  
Partners.  
Partners.  
then All  
The Part  
Account (

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CURRENT ACCOUNT  
INDIVIDUALS

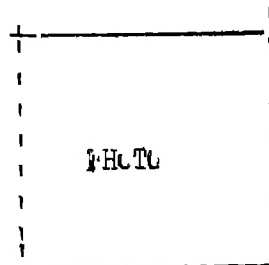
STATE BANK OF INDIA, \_\_\_\_\_ BRANCH: \_\_\_\_\_ 19\_\_\_\_

DEAR SIRs,

I/WE AGREE TO COMPLY WITH THE BANK'S RULES IN YOUR BOOKS IN THE  
FOLLOWING STYLE:

BLOCK LETTERS

\_\_\_\_\_  
A \_\_\_\_\_  
B \_\_\_\_\_  
C \_\_\_\_\_



I/WE AGREE TO COMPLY WITH THE BANK'S RULES IN REGARD TO  
CURRENT ACCOUNTS. PROPOSED MINIMUM BALANCE Rs. .... THE ACCOUNT  
WILL BE OPERATED BY

\*

- ( + UNTIL YOU RECEIVE NOTICE TO THE CONTRARY FROM ANY ONE OF US.  
+ THIS CLAUSE SHOULD BE DELETED WHEN THE OPERATION IS OF THE  
CATEGORY MARKED @ BELOW )

NAME	OCCUPATION
ADDRESS	

PLEASE ISSUE ME/US A CHEQUE BOOK FOR USE ON THE ACCOUNT.

YOURS FAITHFULLY,

PLEASE STRIKE OUT WHICHEVER IS  
NOT APPLICABLE.

SIGNATURE	NAME NATIONALITY AND OCCUPATION	ADDRESS & TELEPHONE NO.
A	_____	_____
B	_____	_____
C	_____	_____